



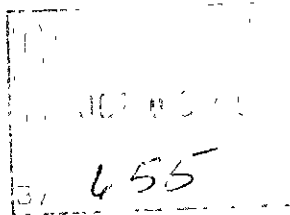
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September 26, 2006

Mr Robert E Feldmen,
Executive Secretary
Attention Comments
Federal Deposit Insurance Corporation
550 Seventeenth Street, N W
Washington, D C 20429



Re: Deposit Insurance Assessments and Federal Home Loan Bank Advances

Dear Mr. Feldmen

This letter is our comments on the Federal Deposit Insurance Corporation's proposal to classify Federal Home Loan Bank (FHLB) advances as volatile liabilities and potentially charge advance users higher deposit insurance premiums

Our bank opposes this proposal FHLB are highly stable institutions and their advances are verifiably low-risk Enacting this rule would be harmful to FHLB member institutions by increasing costs and reducing liquidity and could actually increase exposure and risk to the FDIC.

FHLB advances should not be considered volatile liability for members These credit lines are a key component of liquidity for institutions like ours They come with set, predictable terms allowing efficient balance sheet management Unlike deposits, advances do not diminish when market forces or consumer habits change

Examiners and auditors recommend and review FHLB funding for liquidity purposes Discouraging banks from borrowing from FHLB would be counterproductive to reducing risks for the FDIC FHLB advances ensure available, cost-effective liquidity, manage interest-rate risk, as well as fund loan growth. Penalizing advance use will force institutions to look for alternative sources that are not as dependable and may be more volatile than FHLB advances This would result in fewer loans, reduced profits, and higher liquidity and interest-rate risk.

The FDIC should continue to determine rates using an institution's actual risk profile, reflected in comprehensive supervisory ratings Those institutions engaged in risky activity should have higher premiums than their more conservative counterparts regardless of whether the funding comes from advances, deposits or other sources

The FHLBanks themselves are a core part of the American banking system. Created by Congress in 1932, they have been the standard for stability, surviving the swings of markets, interest rates, and business cycles Congress reiterated its support of advances by expanding small banks access to this funding in the Gramm-Leach-Bliley Act This proposal, which seeks to penalize the judicious use of advances, runs contrary to the actions and intent of Congress.

Please reconsider your proposal to classify FHLB advances as volatile liabilities We feel it would be a detriment to the entire banking system

Sincerely
FIRST NATIONAL BANK


Jeanette Atkinson
Senior Vice President